

Tata Power Company | BUY



1QFY26: Beats expectations; Multiple growth engines in unison

Tata Power (TPWR) reported 1QFY26 net consol revenue of INR 180bn (4% YoY, 1% JMFe) and EBITDA of INR 36bn (15% YoY, 11% JMFe) driven by lower than expected fuel cost (-8% JMFe) and other exp (-16% JMFe). Adj. PAT stood at INR 10.6bn (9% YoY, 23% JMFe). The subdued power demand led to YoY decline in the utilization (PLF/CUF) of generation assets. Despite this, the company exceeded both our and street expectations, benefiting from its integrated operations. Looking ahead, the company's leadership in expanding rooftop solar, the operationalization of integrated solar cell-module manufacturing, the commencement of work on the 1,000 MW Bhivpuri pumped hydro storage plant, continued strong performance in Odisha, and the likely signing of a PPA for Mundra will drive the company's future performance. We estimate company to report FY25-28 CAGR of 8%/13%/13% in Revenue/ EBITDA/ PAT. We maintain BUY, with a SOTP-based TP of INR 436 (+12% upside) implying 13.3x EV/EBITDA and 3.1x P/B on FY27.

- **Financial Performance:** Tata Power reported revenue of INR 180bn (4% YoY) and Adj. PAT of INR 11bn (9% YoY). Company's standalone business reported revenue / PAT of INR 52bn (-6% YoY) / INR 5.2bn (-29% YoY) due subdued demand on account of early monsoon in 1QFY26. Consol. EBITDA for 1QFY26 stood at INR 36bn (15% YoY) with 19.8% margin vs. 17.9% in 1QFY25 due to contraction in fuel cost by 289bps. Adj. PAT for the quarter stood at INR 11bn (9% YoY) due to increase in EBITDA. Distribution segment recorded PAT of INR 4.4bn (26% YoY). Odisha DISCOMs' strong performance led to increase in PAT to INR 1bn (156% YoY).
- **4,150 MW Mundra UMPP:** The company is in advance stage of discussions with five states (Gujarat, Maharashtra, Punjab, Haryana, and Rajasthan) for signing of supplementary PPA. The lower coal prices have made generation cost attractive in the merit order for the discoms. Management is confident of signing it in Aug'25.
- **Solar cell/ module manufacturing:** The inspection of the new facility by the MNRE is scheduled during next week for inclusion in the ALMM List-II. The 4.3GW cell and module manufacturing plant has produced modules of 949 MW in 1QFY26 vs. 614 MW in 1QFY25. Cell production stood at 904MW in 1QFY26. The manufacturing unit reported Revenue/ EBITDA/ PAT of INR 16bn/ INR 3bn/ INR 1bn in 1QFY26 vs. INR 11bn/ INR 1bn/ INR 540mn in 1QFY25. Interest cost and depreciation for the facility has increased by 3x YoY and 5x YoY due to higher borrowings for capacity addition and capitalisation of assets. Management has guided for cell/ module production of around 3.7 GW/ 3.7GW during FY26.
- **Renewables:** Renewable business reported EBITDA of INR 10bn (+15% YoY) in 1QFY26. It reported a net profit of INR 2.3bn for the quarter (-1% YoY) due to increase in finance cost and depreciation. The installed capacity of its renewables portfolio has increased to 5,634MW (1030MW / 4604MW of Wind/ Solar) vs. 4,768MW as on Jun'25 (1030MW/

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	436
Upside/(Downside)	11.9%
Previous Price Target	461
Change	-5.5%

Key Data – TPWR IN

Current Market Price	INR389
Market cap (bn)	INR1,244.0/US\$14.2
Free Float	50%
Shares in issue (mn)	3,195.3
Diluted share (mn)	3,195.3
3-mon avg daily val (mn)	INR2,564.1/US\$29.3
52-week range	495/326
Sensex/Nifty	80,600/24,565
INR/US\$	87.5

Price Performance

%	1M	6M	12M
Absolute	-4.2	5.7	-16.2
Relative*	-0.9	3.0	-15.8

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	6,15,423	6,45,021	7,20,548	7,58,983	8,32,267
Sales Growth (%)	9.8	4.8	11.7	5.3	9.7
EBITDA	1,08,773	1,29,537	1,64,495	1,73,077	1,91,327
EBITDA Margin (%)	17.7	20.1	22.8	22.8	23.0
Adjusted Net Profit	36,963	39,710	51,403	53,468	59,127
Diluted EPS (INR)	11.6	12.4	16.1	16.7	18.5
Diluted EPS Growth (%)	10.8	7.4	29.5	4.0	10.6
ROIC (%)	9.0	9.9	10.5	8.2	7.8
ROE (%)	10.2	9.8	11.4	10.6	10.6
P/E (x)	33.6	31.3	24.2	23.2	21.0
P/B (x)	3.8	3.5	3.1	2.8	2.5
EV/EBITDA (x)	15.7	13.7	11.7	12.4	11.3
Dividend Yield (%)	0.5	0.5	0.5	0.5	0.5

Source: Company data, JM Financial. Note: Valuations as of 08/Jan/2025

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

3737MW of Wind/ Solar). Avg. CUF for wind and solar stood at 24.4% and 27.1% vs. 25.8% and 21.7% in 1QFY25. Around 5675MW (679MW/ 3049MW/ 45MW/ 1902MW of Solar/ Hybrid/ Wind/ FDRE) of capacity is under construction. Going forward it expects capacity addition with annual run rate of 2.6 GW in FY26.

- **Rooftop Solar:** Solar EPC business reported revenue of INR 25bn (16% YoY) with expansion in EBITDA margin to 11.5% in 1QFY26 vs. 3.7% in 1QFY25 due to higher execution of third party projects. The solar rooftop business continues to witness traction, with third party revenue of INR 8.2bn in 1QFY26 (INR 4bn in 1QFY25) and third party order book of INR 12.4bn. Company has installed 270 MWp of Rooftop Solar in 1QFY26 vs. 111 MWp in 1QFY25.
- **Hydro projects:** The development process of 1000 MW Bhivpuri PSP and the 1800 MW Shirawata PSP continues with an investment of INR 57bn and INR 78.5bn. CEA and all other statutory approvals for Bhivpuri PSP are received and construction work has started. Company expects to complete the project by Aug'28. Construction of Shirawata PSP is expected to start by Nov'25. The construction at 600 MW Khorlochhu Hydro project in Bhutan (part of a broader 5 GW clean energy MoU with Bhutan) is also started which is expected to commission in 2029.
- **Transmission & distribution:** Company's transmission portfolio now stands at 7,073 Ckm, including 4,659 Ckm commissioned and 2,414 Ckm under construction. Company is actively pursuing bidding for privatisation of Uttar Pradesh discoms where tender is likely in Aug'25. Currently, company serves ~12.9mn customers in distribution segment. It has applied for expansion of electricity distribution license in Maharashtra with focus on key growth areas including parts of Thane, Navi Mumbai, Panvel, Pune, Nashik and Chhatrapati Sambhaji Nagar.

Other key highlights

- PLF of Mundra stood at 70% in 1QFY26 vs. 71%/73% during 1QFY25/4QFY25.
- Maintains #1 position in the Rooftop Solar segment: total installations above 2 lakh and cumulative capacity above 3.4 GWp.
- Signed 200 MW Firm and Dispatchable Renewable Energy (FDRE) PPA with NTPC; Project to supply 1,300 MUs annually.
- Tata Power Mumbai Transmission received Maharashtra Electricity Regulatory Commission (MERC) approval for INR 18bn DPR schemes; commissioned 22kV GIS at Vikhroli and 125 MVAR reactor at Trombay.
- 3rd party utility scale solar EPC order-book of INR 27bn is under execution
- Net debt stood at INR 476bn as on Jun'25 vs. INR 424bn as on Jun'25.
- It is in discussion for buying remaining stake in Resurgent Power

Exhibit 1. 1QFY26 Consolidated Result

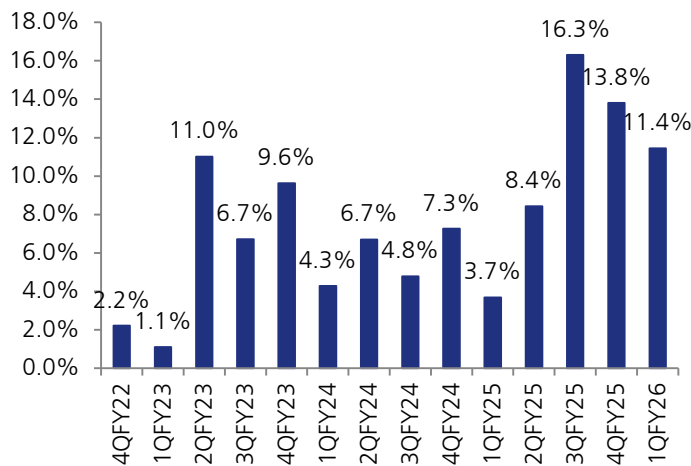
Particulars (INR mn)	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ %	JMFe	% Var
Revenue	1,80,351	1,72,936	4%	1,70,959	5%	1,77,770	1%
Total Op. Income	1,74,643	1,68,097	4%	1,73,278	1%	1,75,329	0%
Cost of Fuel	35,552	39,087		37,204		38,686	-8%
Cost of Power	75,638	72,771		67,402		74,663	
Employee Cost	11,614	10,136		12,606		10,643	
Other expense	16,157	15,075		21,291		19,126	-16%
Total Expenses	1,38,961	1,37,069	1%	1,38,503	0%	1,43,118	-3%
EBITDA	35,683	31,027	15%	34,775	3%	32,211	11%
EBITDA Margin (%)	19.79%	17.94%		20.34%		18.12%	
Other income	3,617	2,474		3,511		3,555	
PBDIT	39,300	33,501		38,286		35,767	
Depreciation	11,609	9,729		11,163		11,174	
Interest	12,792	11,762		12,132		12,548	
PBT	16,195	14,904	9%	15,817	2%	14,028	15%
Tax	3,571	3,017		2,936		3,428	
Extra ord. items	-	-		-180		-	
PAT(Reported)	12,623	11,887	6%	13,061	-3%	10,600	19%
Minority Int	-2,025	-2,177		-2,633		-2,011	
Share of asso.	1,296	2,894		827		1,983	
Adj PAT	10,599	9,709	9%	10,428	2%	8,589	23%
EPS(INR)	3.32	3.04	9%	3.26	2%	3.09	7%

Source: Company, JM Financial

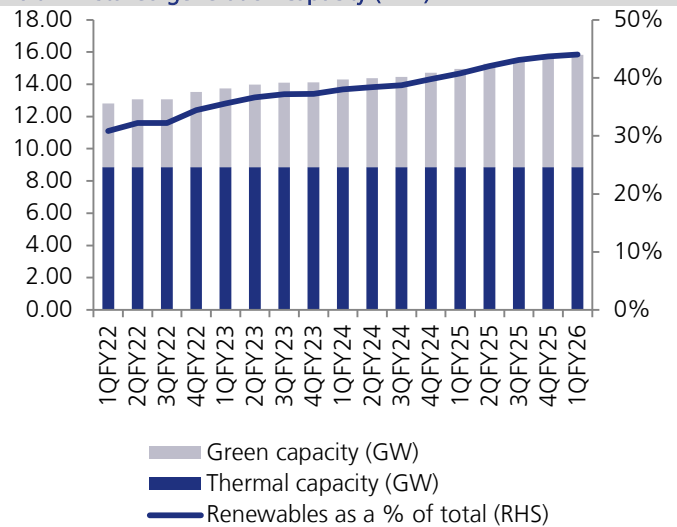
Exhibit 2. Segment Performance

Segment performance	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ %
Standalone					
- Sales	51,480	54,930	-6%	57,560	-11%
- EBITDA	14,720	17,980	-18%	12,150	21%
- PAT	5,200	7,370	-29%	4,090	27%
Reg Equity (Mumbai)	51,090	49,350	4%	47,780	7%
Maithon (MPL)					
- Sales	7,710	8,190	-6%	7,290	6%
- EBITDA	1,690	1,680	1%	1,590	6%
- PAT	900	890	1%	990	-9%
Generation (MU's)	1,832	2,067	-11%	1,502	22%
Sales (MU's)	1,830	2,042	-10%	1,738	5%
PLF(%)	80%	90%	-100BPs	79%	100BPs
Availability	95%	99%	-400BPs	83%	1200BPs
Reg Eq	16,650	16,840	-1%	16,430	1%
NDPL (TPDDL)					
- Sales	24,000	32,170	-25%	20,240	19%
- EBITDA	3,320	5,780	-43%	1,460	127%
- PAT	1,340	2,870	-53%	1,380	-3%
Reg Eq	20,830	20,180	3%	20,700	1%
Tata Power Trading (TPTCL)					
- Sales	1,000	1,050	-5%	790	27%
- EBITDA	240	380	-37%	210	14%
- PAT	170	250	-32%	150	13%
Tata Power Solar (Solar Mfg)					
- Sales	25,080	21,710	16%	46,160	-46%
- EBITDA	2,870	800	259%	6,370	-55%
- PAT	1,980	190	942%	3,530	-44%
RE Genco					
- Sales	11,350	10,020	13%	10,210	11%
- EBITDA	10,340	9,030	15%	8,960	15%
- PAT	2,260	2,290	-1%	1,620	40%
ODISHA discoms					
- Sales	51,640	51,560	0%	51,320	1%
- EBITDA	5,840	4,040	45%	7,690	-24%
- PAT	1,050	410	156%	2,750	-62%

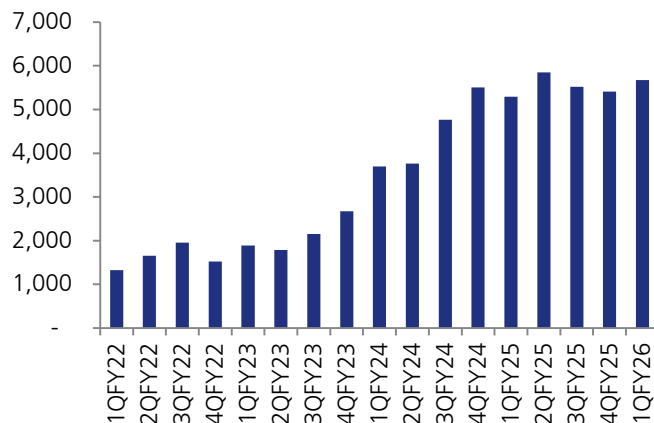
Source: Company, JM Financial

Exhibit 3. Solar Mfg. and EPC business EBITDA margin trend (%)

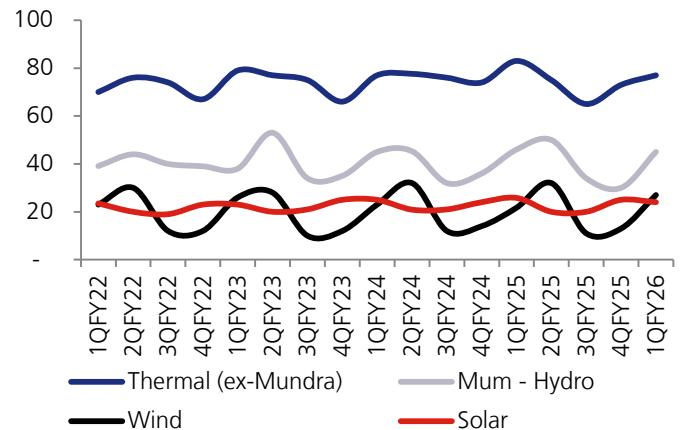
Source: Company, JM Financial

Exhibit 4. Installed generation capacity (MW)

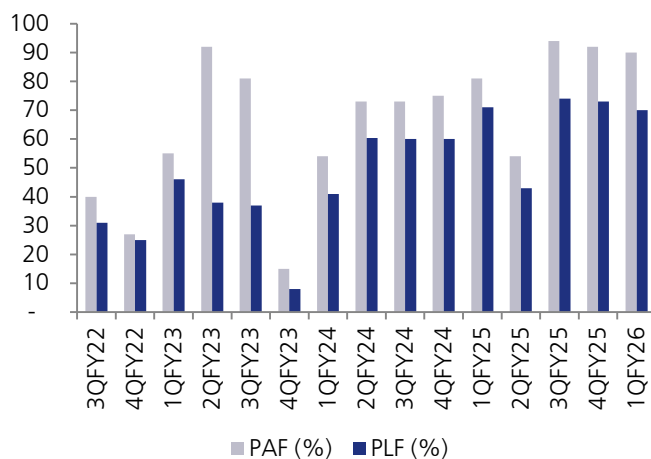
Source: Company, JM Financial

Exhibit 5. Renewable projects under construction (MW)

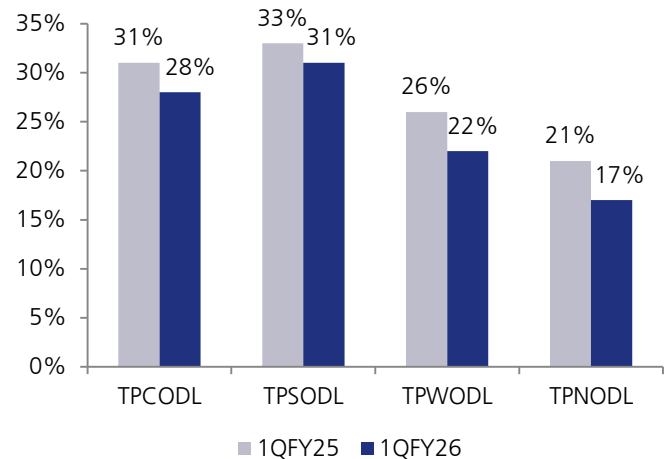
Source: Company, JM Financial

Exhibit 6. Fuel-wise PLF trend (%)

Source: Company, JM Financial

Exhibit 7. CGPL Mundra PLF and PAF trend (%)

Source: Company, JM Financial

Exhibit 8. Odisha discoms AT&C losses (%)

Source: Company, JM Financial

Valuation

Exhibit 9. SOTP Valuation

Particulars	Methodology	Multiple (x)	Valuation (INR mn)	Value Per share (INR)
Regulated Business	P/BV on Regulated Equity	2.3	423,088	132
Mundra UMPP (CGPL)	EV/EBITDA	8	1,13,080	35
Coal SPV	EV/EBITDA	4	16,809	5
TPREL	EV/EBITDA	14	396,983	124
Solar EPC	EV/EBITDA	12	1,32,394	41
Module Manufacturing	P/E	25	153,958	48
Bhivpuri & shirawta PSP	DCF		18,014	6
Others: Power Trading, Prayagraj, Tata Proj, Zambia, Investments			143,790	45
SOTP				436
CMP				389
Upside %				12%

Source: JM Financial, Company

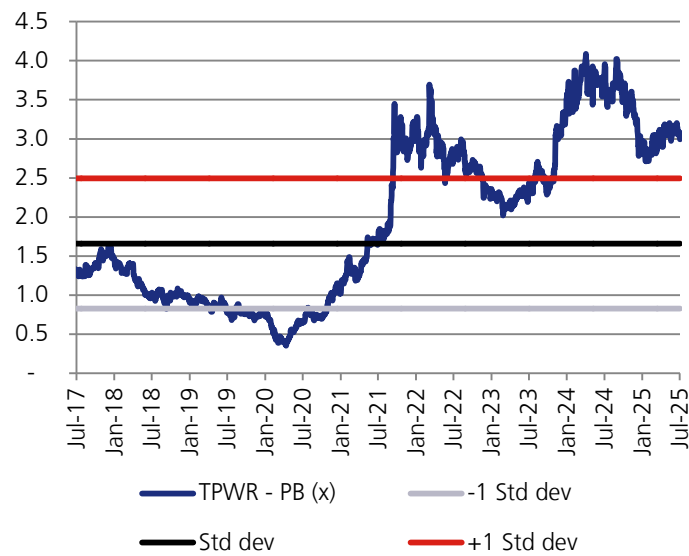
Exhibit 10. Change in estimates

Year end Mar31 (INR mn)	FY26E	FY27E	FY28E
Revenues			
Old	7,25,590	7,95,642	8,65,974
New	7,20,548	7,58,983	8,32,267
Chg	-0.69%	-4.61%	-3.89%
EBITDA			
Old	1,58,199	1,75,335	1,93,779
New	1,64,495	1,73,077	1,91,327
Chg	3.98%	-1.29%	-1.27%
EBITDA Margins			
Old	21.80%	22.04%	22.38%
New	22.83%	22.80%	22.99%
bps	103bps	77bps	61bps
PAT			
Old	50,844	62,004	65,894
New	51,403	53,468	59,127
Chg	1.10%	-13.77%	-10.27%
FD EPS			
Old	15.9	19.4	20.6
New	16.1	16.7	18.5
Chg	1.10%	-13.77%	-10.27%

Source: JM Financial

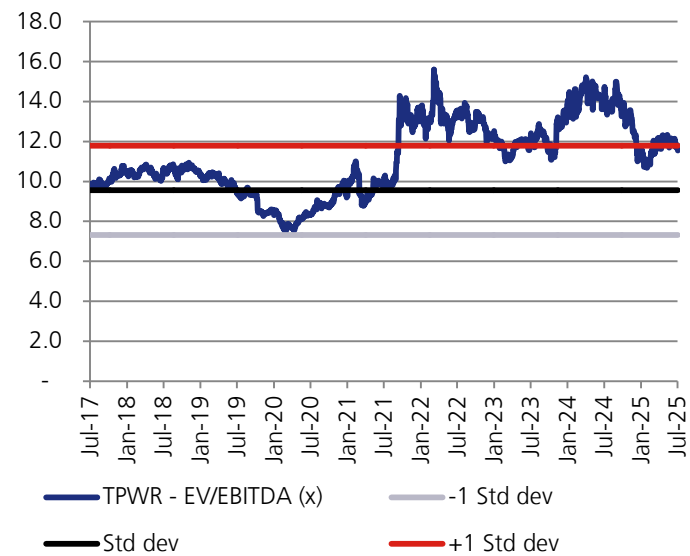
Valuation Bands

Exhibit 11. P/B



Source: Bloomberg, JM Financial

Exhibit 12. EV/EBITDA



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	6,15,423	6,45,021	7,20,548	7,58,983	8,32,267
Sales Growth	9.8%	4.8%	11.7%	5.3%	9.7%
Other Operating Income	0	0	0	0	0
Total Revenue	6,15,423	6,45,021	7,20,548	7,58,983	8,32,267
Cost of Goods Sold/Op. Exp	4,07,416	4,02,324	4,06,684	4,36,629	4,47,072
Personnel Cost	40,361	43,729	47,327	51,224	56,556
Other Expenses	58,874	69,430	1,02,042	98,053	1,37,313
EBITDA	1,08,773	1,29,537	1,64,495	1,73,077	1,91,327
EBITDA Margin	17.7%	20.1%	22.8%	22.8%	23.0%
EBITDA Growth	26.0%	19.1%	27.0%	5.2%	10.5%
Depn. & Amort.	37,864	41,169	49,737	59,353	66,005
EBIT	70,909	88,369	1,14,758	1,13,724	1,25,322
Other Income	18,234	15,139	13,500	31,349	37,835
Finance Cost	46,332	47,024	55,885	70,370	79,942
PBT before Excep. & Forex	42,811	56,483	72,373	74,703	83,215
Excep. & Forex Inc./Loss(-)	2,734	-1,221	0	0	0
PBT	45,545	55,263	72,373	74,703	83,215
Taxes	14,519	15,443	19,484	20,438	22,582
Extraordinary Inc./Loss(-)	2,734	-1,221	0	0	0
Assoc. Profit/Min. Int.(-)	17,614	15,977	16,211	18,668	19,906
Reported Net Profit	36,963	39,710	51,403	53,468	59,127
Adjusted Net Profit	36,963	39,710	51,403	53,468	59,127
Net Margin	6.0%	6.2%	7.1%	7.0%	7.1%
Diluted Share Cap. (mn)	3,195.6	3,195.6	3,195.3	3,195.3	3,195.3
Diluted EPS (INR)	11.6	12.4	16.1	16.7	18.5
Diluted EPS Growth	10.8%	7.4%	29.5%	4.0%	10.6%
Total Dividend + Tax	257	257	257	257	257
Dividend Per Share (INR)	2.0	2.0	2.0	2.0	2.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	57,320	63,196	79,736	83,638	92,415
Depn. & Amort.	37,864	41,169	49,737	59,353	66,005
Net Interest Exp. / Inc. (-)	28,098	31,885	42,385	39,022	42,106
Inc (-) / Dec in WCap.	19,275	718	-63,015	-3,167	-15,131
Others	-10,701	-4,297	0	0	0
Taxes Paid	-5,895	-5,869	-19,484	-20,438	-22,582
Operating Cash Flow	1,25,961	1,26,802	89,359	1,58,408	1,62,814
Capex	-1,31,866	-1,72,493	-1,85,922	-3,11,182	-1,20,080
Free Cash Flow	-5,904	-45,692	-96,563	-1,52,774	42,733
Inc (-) / Dec in Investments	-3,005	0	0	0	0
Others	44,522	18,005	13,500	31,349	37,835
Investing Cash Flow	-90,348	-1,54,488	-1,72,422	-2,79,833	-82,245
Inc / Dec (-) in Capital	11,178	22,528	0	0	0
Dividend + Tax thereon	-8,868	-9,645	-9,645	-9,645	-9,645
Inc / Dec (-) in Loans	46,439	85,702	2,83,024	2,07,134	18,071
Others	-93,723	-55,662	-55,885	-70,370	-79,942
Financing Cash Flow	-44,974	42,924	2,17,493	1,27,119	-71,515
Inc / Dec (-) in Cash	-9,361	15,237	1,34,431	5,694	9,053
Opening Cash Balance	1,00,879	1,02,273	1,17,510	2,51,940	2,57,634
Closing Cash Balance	91,518	1,17,510	2,51,940	2,57,634	2,66,688

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	3,23,553	3,58,407	4,00,165	4,43,987	4,93,469
Share Capital	3,196	3,196	3,195	3,195	3,195
Reserves & Surplus	3,20,357	3,55,211	3,96,970	4,40,792	4,90,274
Preference Share Capital	0	0	0	0	0
Minority Interest	59,775	67,654	76,502	86,235	96,941
Total Loans	4,94,798	5,81,456	8,64,479	10,71,614	10,89,685
Def. Tax Liab. / Assets (-)	22,732	35,861	35,861	35,861	35,861
Total - Equity & Liab.	9,00,858	10,43,377	13,77,007	16,37,697	17,15,956
Net Fixed Assets	7,87,709	9,10,533	10,46,718	12,98,547	13,52,622
Gross Fixed Assets	9,47,851	11,02,604	12,77,526	15,48,707	15,94,288
Intangible Assets	32,168	30,232	30,232	30,232	30,232
Less: Depn. & Amort.	3,07,923	3,49,091	3,98,828	4,58,181	5,24,186
Capital WIP	1,15,613	1,26,789	1,37,789	1,77,789	2,52,289
Investments	1,63,160	1,63,160	1,63,160	1,63,160	1,63,160
Current Assets	4,32,511	4,86,853	6,75,019	6,89,717	7,15,936
Inventories	44,196	45,718	74,758	78,746	86,349
Sundry Debtors	76,750	69,328	94,025	99,040	1,08,603
Cash & Bank Balances	91,518	1,17,510	2,51,940	2,57,634	2,66,688
Loans & Advances	136	147	147	147	147
Other Current Assets	2,19,911	2,54,149	2,54,149	2,54,149	2,54,149
Current Liab. & Prov.	4,82,522	5,17,168	5,07,890	5,13,726	5,15,761
Current Liabilities	94,349	89,681	80,402	86,239	88,274
Provisions & Others	3,88,172	4,27,487	4,27,487	4,27,487	4,27,487
Net Current Assets	-50,010	-30,316	1,67,130	1,75,991	2,00,175
Total - Assets	9,00,859	10,43,377	13,77,007	16,37,697	17,15,956

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	6.0%	6.2%	7.1%	7.0%	7.1%
Asset Turnover (x)	0.7	0.7	0.6	0.6	0.5
Leverage Factor (x)	2.9	2.9	3.2	3.6	3.6
RoE	12.9%	12.0%	14.4%	14.2%	13.7%

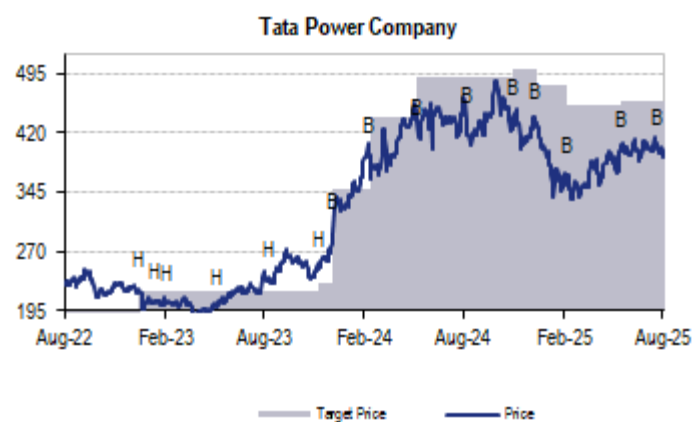
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	101.2	112.2	125.2	138.9	154.4
ROIC	9.0%	9.9%	10.5%	8.2%	7.8%
ROE	10.2%	9.8%	11.4%	10.6%	10.6%
Net Debt/Equity (x)	1.2	1.3	1.5	1.8	1.7
P/E (x)	33.6	31.3	24.2	23.2	21.0
P/B (x)	3.8	3.5	3.1	2.8	2.5
EV/EBITDA (x)	15.7	13.7	11.7	12.4	11.3
EV/Sales (x)	2.8	2.8	2.7	2.8	2.6
Debtor days	46	39	48	48	48
Inventory days	26	26	38	38	38
Creditor days	67	63	52	53	50

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Dec-22	Hold	220	
11-Jan-23	Hold	220	0.0
5-Feb-23	Hold	220	-0.1
5-May-23	Hold	220	0.1
9-Aug-23	Hold	220	-0.1
9-Nov-23	Hold	230	4.7
6-Dec-23	Buy	350	51.9
11-Feb-24	Buy	439	25.5
9-May-24	Buy	490	11.5
7-Aug-24	Buy	491	0.3
31-Oct-24	Buy	501	2.0
11-Dec-24	Buy	481	-3.9
5-Feb-25	Buy	456	-5.1
15-May-25	Buy	461	1.0
21-Jul-25	Buy	461	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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